

Message Text

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ORIGIN NEA-12

INFO OCT-01 ADP-00 PM-07 SS-15 IGA-02 L-03 ABF-01 CIAE-00

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DRAFTED BY NEA/TUR:NMURPHY:EF

8/23/73 20304

APPROVED BY NEA:RPDAVIES

PM/MAS - MR. GREY

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R 232239Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

INFO SECDEF

CHJUSMMAT

USCINCEUR

C O N F I D E N T I A L STATE 168393

E.O. 11652: GDS

TAGS: MASS, TU

SUBJ: TEN PER CENT DEPOSIT REQUIREMENT

1. ACTING ON INSTRUCTIONS TURK CHARGE YEGEN CALLED ON DEPUTY ASSISTANT SECRETARY DAVIES AUGUST 23 TO DISCUSS TEN PER CENT DEPOSIT REQUIREMENT. TURKEY DESK OFFICER MURPHY ALSO PRESENT. YEGEN SAID FOREIGN MINISTRY HAD BEEN RECENTLY INFORMED OF DEPOSIT REQUIREMENT BY EMBASSY ANKARA AND WAS CONCERNED BY THE STRAINS THIS REQUIREMENT WOULD PUT ON TURKISH BUDGETARY RESOURCES. THERE IS ALSO THE ADDITIONAL PROBLEM POSED BY FACT THAT TURK FISCAL YEAR BEGINS IN MARCH AND NO MONEY HAD BEEN BUDGETED FOR THIS EXPENSE. YEGEN SAID HE HAD BEEN INSTRUCTED APPROACH DEPARTMENT TO URGE EXPLORATION OF WAYS TO EXEMPT TURKEY FROM THIS REQUIREMENT.

2. DAVIES SAID THAT QUESTION OF DEPOSIT REQUIREMENT HAD
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BEEN MATTER OF CONCERN TO DEPARTMENT FOR SOME TIME.

ADMINISTRATION HAD RECOMMENDED IN ITS SUBMISSION TO THE CONGRESS LAST YEAR THAT IT BE ELIMINATED FROM THE LEGISLATION AND HAD DONE THE SAME THIS YEAR. HOUSE VERSION OF FOREIGN ASSISTANCE LEGISLATION ACCEPTED ADMINISTRATION RECOMMENDATION IN THIS REGARD BUT SENATE VERSION INCLUDES TEN PER CENT REQUIREMENT. DAVIES SAID IMPOSSIBLE PREDICT WHETHER IT WILL BE INCLUDED IN FINAL LEGISLATION BUT HE NOT OPTIMISTIC ABOUT ITS DELETION.

3. DAVIES SAID THAT AT TIME THIS SECTION FIRST INCLUDED IN FOREIGN ASSISTANCE ACT HE HAD DISCUSSED IMPLICATIONS WITH AMB ESENBEL AT SOME LENGTH. THEN AND SINCE WE HAVE EXPLORED MEANS PROVIDING RELIEF FOR TURKEY. BECAUSE IN PREVIOUS FISCAL YEARS WE HAD ANTICIPATED RECEIPT OF TURKISH LIRA ADEQUATE TO COVER OUR EXPENSES IN TURKEY, PRESIDENT HAD BEEN ABLE EXERCISE HIS AUTHORITY UNDER THE ACT TO EXEMPT TURKEY. THIS WILL NOT BE POSSIBLE IN FY 74 AND, IN FACT, RECEIPTS HAD NOT BEEN SUFFICIENT TO COVER ALL EXPENSES IN FY 73. WE HAD THEREFORE EXPLORED OTHER MEANS PROVIDING RELIEF, INCLUDING POSSIBILITY "BASE RIGHTS" EXEMPTION. WE HAD CONCLUDED -- AS HAD HIGH TURKISH OFFICIALS IN DISCUSSION WITH EMBASSY OFFICIALS IN ANKARA -- THAT THIS WOULD BE INAPPROPRIATE BETWEEN SOVEREIGN EQUAL ALLIES WHOSE COMMON INTERESTS CANNOT BE CALCULATED IN DOLLARS AND CENTS. FOLLOWING EXTENSIVE STUDY OF MATTER WE HAD RECOMMENDED TO PRESIDENT THAT HE EXERCISE HIS AUTHORITY UNDER THE ACT AND MAKE DETERMINATION THAT 50 MILLION DOLLARS OF TURKISH PROGRAM SHOULD BE EXEMPTED FROM THE DEPOSIT REQUIREMENT. HE HAS ACCEPTED THIS RECOMMENDATION. IN MAKING THIS DETERMINATION, WHICH BECAME EFFECTIVE AUGUST 17, PRESIDENT HAS DONE THE MAXIMUM POSSIBLE UNDER THE LAW PROVIDE RELIEF FOR TURKEY.

4. YEGEN EXPRESSED SATISFACTION AT THIS ACTION. HE THEN SAID FOREIGN MINISTRY HAD RAISED WITH EMBASSY ANKARA POSSIBILITY OF PREPAYMENT OF CERTAIN LOANS TO ENABLE TURKEY AGAIN TO QUALIFY FOR EXEMPTION FROM THE DEPOSIT REQUIREMENT. DAVIES REPLIED THAT THIS APPROACH HAD BEEN REPORTED TO THE DEPARTMENT AND WAS RECEIVING URGENT ATTENTION WITHIN THE USG. HE UNABLE SAY AT THIS TIME
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WHETHER THIS WOULD BE POSSIBLE.

5. MURPHY NOTED THAT PRESIDENTIAL DETERMINATION EXEMPTING 50 MILLION DOLLARS OF TURKISH PROGRAM WOULD ALLEVIATE PROBLEM YEGEN CITED OF MONEY NOT HAVING BEEN BUDGETED IN THIS TURKISH FISCAL YEAR. IT SEEMS LIKELY THAT BY END SECOND QUARTER US FISCAL YEAR, TURKEY PROGRAM WILL STILL BE COVERED BY 50 MILLION DOLLARS EXEMPTION. IT IS NORMAL

PRACTICE FOR COUNTRIES PAYING REQUIRED TEN PER CENT
DEPOSIT TO BE BILLED AT THE END OF EACH QUARTER OF US
FISCAL YEAR. IT UNLIKELY THEREFORE THAT TURKEY WOULD HAVE
TO MAKE ANY PAYMENTS WHICH MIGHT BE REQUIRED BEFORE MARCH
31, I.E. AFTER BEGINNING NEXT TURKISH FISCAL YEAR. RUSH

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